

Message Text

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67

ACTION SWF-02

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 IO-14 AGR-20 IGA-02

AEC-11 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

PA-04 USIA-15 PRS-01 DRC-01 /203 W

----- 064820

R 282209Z MAY 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8726

UNCLAS SANTIAGO 2985

EO 11652: N/A

TAGS: EAGR, EFIN, CI

SUBJ: CHILEAN FERTILIZER INDUSTRY

FOR AMBASSADOR EDWIN MARTIN, S/WF

REF: (A) STATE 95838; (B) SANTIAGO 1205; (C) SANTIAGO A-38;
(C) SANTIAGO 2581

1. YOU WILL RECALL YOUR CONVERSATION WITH CHILEAN BUSINESSMAN OSWALDO DE CASTRO REGARDING WORLD FERTILIZER SITUATION AND ITS RELEVANCE TO CHILEAN PRODUCTION, ON MAY 26 IN SANTIAGO. THIS CONVERSATION STIMULATED DE CASTRO SUFFICIENTLY TO INDUCE HIM TO SEEK OUT AMBASSADOR MAY 28 AND ASK HIM TO PASS ON SOME ADDITIONAL INFORMATION.

2. DE CASTRO IS EVIDENTLY INTERESTED IN EXPLORING PROSPECTS FOR LARGE EXPANSION OF CHILEAN NITRATE PRODUCTION, WITH AMERICAN ASSISTANCE. HE ENVISAGES TWO SEPARATE POSSIBILITIES.

3. FIRST, WOULD INVOLVE INCREASED PRODUCTION ON BASIS OF PRESENT PROCESSES, THROUGH SUPPLY OF BADLY NEEDED NEW EQUIPMENT, MOSTLY UNCLASSIFIED

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RAILROAD ENGINES, POWER SHOVELS, EARTH MOVING EQUIPMENT, SETTLEING

TANKS, AND THE LIKE. QUOTING CHILEAN NITRATE PRODUCTION CHIEF SERGIO MALDONADO, OSWALDO DE CASTRO STATES HE THINKS 1974 CHILEAN NITRATE PRODUCTION OF 900,000 TONS COULD BE EXPANDED APPROXIMATELY 50 PERCENT IN THE SHORT TERM IF CREDITS COULD BE OBTAINED TO PERMIT EXPENDITURE OF \$15-17 MILLION FOR SUCH NEW EQUIPMENT. QUICK EXPANSION WOULD ENABLE LOCAL NITRATE INDUSTRY TO TAKE ADVANTAGE OF CURRENT HIGH PRICES.

4. DE CASTRO STATES LOCAL NITRATE PRODUCERS ARE NOT BEING ALLOWED TO IMPORT CAPITAL GOODS OF TYPE INDICATED ABOVE DESPITE FOREIGN CREDIT OFFERS. HE ASSUMES THIS IS DUE TO LIMITS PLACED BY IMF ON GOC'S EXTERNAL BORROWING. DE CASTRO THOUGHT IT MIGHT BE POSSIBLE TO WORK OUT SOME ARRANGEMENT WITH US COMPANIES UNDER WHICH THEY MIGHT SUPPLY NEEDED EQUIPMENT IN RETURN FOR GUARANTEED NITRATE SHIPMENTS, IN ORDER TO GET AROUND CREDIT LIMITATION.

5. SECOND, LONGER TERM EXPANSION POSSIBILITY WOULD INVOLVE APPLICATION OF NEW REFINING PROCESSES TO CHILEAN NITRATE INDUSTRY (PRESENT TECHNOLOGY DATES BACK APPROXIMATELY FIFTY YEARS). DE CASTRO THOUGHT THIS MIGHT SET STAGE FOR A SUBSTANTIALLY INCREASED OUTPUT OF NITRATES. THERE WERE TWO SIZEABLE DEPOSITS NOT YET EXPLOITED, WHICH MIGHT BE PROFITABLY DEVELOPED THROUGH EXTERNAL CAPITAL. BUT THIS WOULD REQUIRE PRIOR TECHNICAL STUDY BY A US OR OTHER ENTERPRISE.

6. AMBASSADOR TOLD DE CASTRO HE WOULD FORWARD SUBSTANCE OF ABOVE TO AMBASSADOR MARTIN. SUGGESTED CHILEANS MIGHT THEMSELVES WANT TO EXPLORE QUESTION OF OBTAINING NEW EQUIPMENT THROUGH PAYMENT IN KIND WITH NITRATES. POINTED OUT THAT SUCH AN OPERATION MIGHT SERVE TO AVERT CREDIT RESTRICTION PROBLEM. HOWEVER, AMBASSADOR CONCLUDED, IT WAS FOR GOC ITSELF TO DETERMINE ITS INVESTMENT PRIORITIES, AND ACTION ON GOC'S PART OR WITH ITS APPROVAL WOULD BE NECESSARY IF ANYTHING WERE TO BE DONE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FERTILIZERS, NITRATES, MINING EQUIPMENT, IMPORT CONTROLS, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA02985
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740134-0050
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740514/aaaaalsf.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SWF
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) STATE 95838; (B) SANTIAGO 1205; (C) SANTIAGO A-38;
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 04 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 NOV 2002 by boyleja>; APPROVED <08 JAN 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHILEAN FERTILIZER INDUSTRY FOR AMBASSADOR EDWIN MARTIN, S/WF
TAGS: EAGR, EFIN, CI, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005